STATE OF NORTH CAROLINA

COUNTY OF WAKE

BEFORE THE DISCIPLINARY HEARING COMMISSION OF THE NORTH CAROLINA STATE BAR

File No. 05 DHC 56

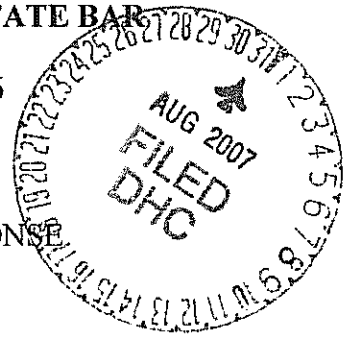
THE NORTH CAROLINA STATE BAR

vs.

RICK F. SHUMATE, Attorney,

Defendant

ANSWER and RESPONSE



The Defendant, hereinafter referred to as "Shumate," responding to and answering the Complaint of the Plaintiff, hereinafter referred to as "the Bar," and alleges and says:

1. That the allegations contained in Paragraphs 1. through 3. of the Plaintiff's Complaint are admitted;

2. That as to the allegations contained in Plaintiff's FIRST CLAIM FOR RELIEF, Paragraphs 4. through 7. are admitted; that as to the remaining allegations contained in Plaintiff's FIRST CLAIM FOR RELIEF, it is admitted that Shumate is subject to grounds for discipline by the Plaintiff, the North Carolina State Bar.

FURTHER RESPONDING AND ANSWERING THE COMPLAINT, AND BY WAY OF EXPLANATION, SHUMATE ALLEGES AND SAYS:

That as to the specific allegations contained in the remainder of the Plaintiff's Complaint, Shumate lacks sufficient information and time to respond and therefore denies same. **Further, it is expressly admitted that the Complaint contains sufficient allegations to support disciplinary action.**

Shumate would, however, respectfully emphasize several elements of this case that he believes might be useful to the Bar in deciding the issue before it. First, it is essential to Shumate's defense to underline that this is **not a defalcation case**, nor does it in any way resemble one. The real estate transactions which were the subjects of the federal investigation and which form the basis of the extant complaint before the Bar were closed by Shumate during 1999 and 2000. Several of these transactions could be described as "simultaneous closings" (sometimes referred to as "leveraged buy outs" in common commercial financial language). This type of "back-to-back" transaction was new to real property practice at that time. These were not the subject of risk management

seminars and were not well understood by members of the bar. This type of transaction later came to be known as a "flip". I cannot emphasize strongly enough that "simultaneous" or "flip" transactions were during these years not known to be problems in the mortgage industry. In fact, the members of the real estate Bar had little if any awareness of the secondary mortgage market or of the possible impact of "flip" transactions on that market. In any event, these were the first and only "flips" closed by Shumate in thirty three (33) years of practice. In hindsight, Shumate assures the Bar that he wishes he had never seen this type of transaction.

Shumate understands fully that he, as the closing attorney, is responsible for handling client matters in an ethical manner. However, he respectfully submits that there are mitigating factors within these transactions that should be given due consideration. At the time of these transactions, Shumate represented several major real estate developers, including, but not limited to, Pulte Home Corporation. His real estate practice became a very high volume operation. Many of these transactions, including the simultaneous closings that composed a very small fraction of his practice in 1999 and 2000 presented new and unique problems. These problems included (1) scheduling difficulties (as many of these were last minute, nearly desperate requests for help completing a transaction), (2) the disruption in the office flow attendant to hurry-up work and the inefficiencies it creates, (3) problems with the gathering of information, and (4) the usual issues that relate to dealing with "B-C" credit (in the news media today described as "sub-prime") lenders. The problems endemic to sub-prime transactions included the lenders' last-minute production of data which was often contradictory and difficult to obtain and then to explain. The "closing packages" which composed the transactional documents were hand delivered and nearly always late. These packages included not only the completed documents the lender's customer, the borrower, was to sign. They also included the instructions for the signing of these documents and for the completion any documents in the closing package that the lender had not already completed. Shumate respectfully contends that this is a substantially mitigating factor in his circumstances. He completed packages pursuant to the instructions of a lender and according to those instructions. He placed no numbers on these documents that were not known to the lender **prior to** those documents ever reaching his office.

The common result of the crush of paper to be executed was that clients were often waiting in the reception room for some time because the loan packages were not delivered prior to the scheduled time of closing and in truth and in fact were often delivered **after** the scheduled time of closing. By contrast, the far more traditional practice for lenders was to deliver packages of loan documents to the attorney's office at least one day and often many days prior to the scheduled closing date. The attorney and his staff then had time to properly review and prepare documents and avoid any unnecessary delay to anyone.

The "newness" of many of the elements of loan closing and documentation, and the speed with which the lenders required that these transactions be processed and then completed and sent back made the loan closing environment very challenging and anxiety-filled. Therefore, certain procedures were implemented in order to attempt to

mitigate errors. For example, To assure all post closing matters (including, but not limited to, problems that might arise due to the very nature of these closings) all parties were required to execute a DISCLOSURE, DOCUMENTATION CORRECTION AND FEES DUE AGREEMENT, a copy of which is attached hereto, marked "Exhibit A" and incorporated herein by reference. This was a document created by Shumate. And, for example, letters requesting more concise information were sent to the "client" as reflected by "Exhibit B" attached hereto and incorporated herein by reference.

In addition, at all simultaneous closings Shumate assured that the lender's agent and representative attended, and blessed the transaction and closing. Shumate understood the lender's representative's attendance as an assurance to him that every party to the transaction understood every element of the transaction. He did at the time not understand how this could have been otherwise, since the lender had appraised the property, taken a loan application from the borrower, underwritten the loan, interviewed the borrower, and then brought him to Shumate's office for closing. This in part was assuring that full disclosure to all parties was made. The parties or the representatives of the parties were all sitting at the same closing table at the same time, listening to the same recitation of the relevant loan numbers and conditions, and then agreeing to those terms by the affixing of the necessary signatures.

Shumate was further reassured that the conditions of each loan had been properly met because ***in every instance*** the document detailing the provision for, the receipt of and the disbursal of loan funding (the "settlement statement" or "hud" form as it is commonly known) was faxed to and approved by the remotely located lender's document production office prior to the execution of any of the loan documents.

One major mistake Shumate acknowledges, albeit this error was apparently of **no underwriting significance,** concerns the preliminary title opinions referenced in the complaint. By way of background, preliminary title opinions are required by lenders before they will send to the attorney a loan closing package. These opinions report to the lender the status of the title the lender has agreed to hold as security for its loan. After the closing and the recording of the deed and deed of trust, the attorney must prepare a final title opinion updating the preliminary to reflect the new lender's security interest. All of Shumate's finals were correct and the lender always obtained a first lien position, a first Deed of Trust, in every case.

The preliminary opinions as well as the finals were prepared by staff. This job was certainly Shumate's responsibility. As the role of staff and paralegals has more recently come to the forefront in real estate practices, the issue of the respective roles of staff in closing real estate transactions has attracted attention. It is important to have qualified staff. The preliminary opinions in question all had Shumate's signature stamped upon them; not reviewed or signed by Shumate. This reflects no intent to deceive on his part. This in truth and in fact was never his intention. His signature was placed, stamped, by the staff member that prepared the document. At this time, there were in this office "paralegal/closers," law clerks (law students), general office assistants and receptionists. Two of the "closers" were former title insurance employees. One was

an experienced underwriter and the other, with seventeen (17) years experience, was a former underwriter, office manager and Vice President of a title insurance company. This in no way is intended to say that Shumate should be excused from liability. Again, this is not an underwriting loan issue. Full disclosure was intended. As stated above, the fact that the lender's agent/representative attended all closings and was present further raised the comfort level with regard to all parties, including the lenders, having full knowledge of the entire transaction and at that time, the time of the respective closings in 1999-2000, Shumate was unaware of the preliminary opinion error, albeit that he should have been aware of said problem, it gave no cause for concern. Once again, the now very well-known problems surrounding sub-prime loans were entirely unknown during the years of the transactions which are the subjects of the complaint before the Bar.

With regard to the lender's use of these preliminary opinions, Shumate would once more emphasize that the lender has first looked at the real property involved in the transaction and has had it appraised. The lender looks at the buyer, his/her/their employment, credit, etc. The lender does not make a loan decision based upon whether or not the seller is named Smith or Jones. This may be an over simplification and is **no excuse** for a preliminary opinion to be incorrect. All other title abstract information, judgments, liens, outstanding Deeds of Trust, etc., was accurate. The lenders in these closings suffered no loss due to the name of the seller or who originally owned the properties. The lenders got their first lien position and the conditions of the buyers, although as we have now all long since learned was inaccurate due to false loan applications and probably other falsified supporting loan application documents to which Shumate was and is not privy, was the basis, in addition to the real property values, upon which these loans were made by the lenders. At closing, the error was cured and the lenders suffered no harm. The lenders got what they required, a valid first Deed of Trust given by that very borrower for whom they had approved a loan.

Initially, your respondent believes that the office was ordering two (2) title policies per each closing. This resulted in one of the policies being disregarded. Accordingly, in order to save work for office staff and uncompensated effort and work by the title insurance companies, it was decided to order only one, which related to the lender portion of the transactions, and to request an exception in the policy to the recording of a valid deed in the title binder. The "normal" transaction would reflect only the seller named in the lender supporting documentation. It is understandable, not excusable, that the exception could be overlooked in the transition to requiring only one (1) preliminary binder.

With regard to the issue of the Owner Occupancy Affidavits, one of which was the actual charge, and only charge to which Shumate pled, in federal court, refusing to plead to any scheme to which he had absolutely no knowledge, Shumate stated to an FBI agent in 2004 that Shumate did "not realize" that the same buyer signed more than one of same in separate transactions. Shumate should have recognized that this was happening. He did not, at least in the instant case. In several "spot closings" in the past and over the years he had. Shumate delivered, after obtaining the appropriate Release, all of the supporting documentation requested to the US Attorney's Office in 2002, see cover letter

of November 15, 2002 to US Attorney, a copy of which is attached hereto, marked "Exhibit C" and incorporated herein by reference. His "false statement" occurred in 2004, which was one of several conversations with the FBI. At no time did Shumate realize that he was being considered a "target" and was therefore in harms way. He had tried to cooperate. Please consider that the lender "delivered" the packages with instructions that all documentation contained therein be fully executed, and often required that certain documents, after execution, with all parties at the closing table, be faxed back to them for approval before allowing the parties to leave the office. The interest rates were of course predetermined and preprinted in the documents by the lender. Most of the packages were generic. There were occasions, for example, where a lender might include a Right to Rescind in a purchase transaction. It is also relevant to note that today, in 2007, an attorney is not even required to be in the room for the execution of many loan documents. A paralegal can oversee the execution of many loan documents, including, but not limited to, an Owner Occupancy Affidavit. By the time the packages arrive at an attorney's office, the loan is, of course, underwritten and approved. The borrower signs many documents confirming his/her/their status. The closing attorney can confirm the identity of the parties and interpret the contract, if any, knows the status of the real property involved, and has knowledge of what the lender "requires." Aside from the status of the title, he knows little else about how the transaction was initiated or how it developed to the point where it reached his office.

Shumate did not do his police work and look behind the execution of this document by the borrower. Shumate did not, and should have realized, that this happened. He pled guilty to realizing it and stating to the FBI that he did not. Therein lies the felony and imprisonment. Shumate attributes this due to his prior, and eliminated, impairment back in 1999 and 2000, prior to going to Hope Valley in the beginning of 2002 and subsequently becoming a PALS volunteer, all of which occurred prior to his having **any** scintilla of evidence that he was in harm's way.

Shumate pled guilty to a felony, obstruction of justice. As a result he spent approximately one (1) year in federal prison. No restitution was ordered. There is no victim and Shumate received no financial gain, other than attorney's fees, from the transactions. Shumate, and as he understood staff, was assured by the agent of the lenders that full disclosure had been made and implemented the hereinabove mention Correction Agreement as an additional assurance of any remedy if same became necessary. The HUDs were prepared using appropriate, at least what Shumate thought at the time to be the appropriate, standard practices regarding a simultaneous closing. He had never prepared one prior to these, nor had anyone else that he knew. They were all prepared in the same manner, in that he thought they were correct and accurately disclosed what all parties bargained for and consented to, with full knowledge of all aspects of the transactions. The lenders underwrote the loans based upon the status of the borrowers and the property. There is and was **no causal connection** between the closings themselves and any financial loss, which is expressly denied. Again, no restitution ordered. The lenders at the very least would be estopped by their own underwriting and their contributory negligence.

These were a new transactional situation and there was a disconnect in the causal relation between the buyer's inability to repay the loans and the procedural errors in the closing documents of Shumate. He had no financial gain whatsoever. The fact that the Federal Court did not order restitution supports this. There were errors, no intentional wrongdoing.

Shumate is fifty-eight (58) years old. He started practicing law in 1974 at the age of twenty-five (25). He has done thousands of real estate closings. He practiced without incident for approximate twenty-five (25) years, developed a problem with alcoholism which affected his judgment and abilities during the period of time in question (1999-2000), sought help through PALS **prior to** becoming aware of the issues at hand, successfully dealt with his alcoholism, became and is a PALS volunteer and has assisted other attorneys, see Lawyer Assistance Program, PALS letter, a copy of which is attached hereto, marked "Exhibit D" and incorporated herein by reference, and continued to practice without incident from 2002 through 2005. The ethical violations during a brief period in a thirty-three (33) year career and that the underlying problem of alcohol abuse has been eliminated, thereby eliminating any concern of similar violation in the future. The statement to the FBI that he did not recall these transactions is understandable given that he was suffering from active alcoholism at the time of said real property secured transactions.

FURTHER RESPONDING AND ANSWERING THE COMPLAINT, AND BY WAY OF EXPLANATION, SHUMATE ALLEGES AND SAYS:

That the allegations hereinabove contained are reasserted and alleged and incorporated herein by reference.

In order to arrive at the appropriate disciplinary action in this case, three separate and distinct goals must be achieved:

1. Protect the public, the court and the legal profession against future misconduct by the respondent.

2. Maintain the integrity of the NC State Bar throughout the disciplinary process.

3. Obtain a fair and just outcome for the respondent attorney.

While it is admitted that the complaint contains sufficient violations to support disciplinary action, the role of the defendant's substance abuse is a significant mitigating factor which must be considered when determining the appropriate level of discipline. The ethical violations contained in the complaint, which occurred in 1999-2000, are primarily attributable to the defendant's alcohol abuse during the time period in question. Although the event which triggered the Bar complaint was the Federal indictment brought in 2005, the underlying cause of the allegations contained in the indictment was the respondent's untreated alcoholism. In 2002, approximately three years prior to the

Federal Indictment, Shumate voluntarily and effectively addressed his alcohol abuse. This sequence of events creates an atypical situation in that the respondent was served with a disciplinary complaint, arising out of his alcohol abuse, more than five years after he became sober.

The events which took place in the Second through Fourteenth Claims for Relief of the Complaint occurred within a very isolated period of time, during which the defendant was suffering from advanced stages of alcoholism. Shumate was licensed to practice law in 1974 and did so very successfully, earning an excellent reputation and serving the public well. To the best of his knowledge and therefore upon information and belief he has received no client complaints or grievances during the years of his legal career. There is substantial evidence that his alcoholism had progressed to the point that his impairment was adversely affecting both his personal relations and financial affairs from 1997 to 2001. As a direct result of his alcoholism, his first marriage, which began in 1972, ended in 1997 with a final divorce in 1998 or1999. This was followed immediately in 2000 by a second marriage to Ann Shumate, who later became his office manager. This marriage was entered into during the time period in question and failed within two years, again, largely due to his alcohol abuse. Between the years 1997 and 2002 he changed his primary residence five times, indicating that every aspect of his life was increasingly impacted by his drinking. His income decreased due to his drinking and his ability to responsibly manage his money was also impacted. In 2002 he lost his primary residence, which he had owned since 1985, to foreclosure. As a result of his financial difficulties, coupled with his diminished capacity due to drinking, Shumate was delinquent in his payment of taxes from 1998-2001. One late tax filing occurred in 2000 and has been addressed by the Bar. All taxes since 2002 have been timely filed and paid in full for the years 2002 through 2006. Also during this period, on April 14, 2001, he received a DWI. During this same period of time his appearance and health showed obvious signs of advanced alcoholism. By March of 2002, he had lost approximately sixty-five pounds and his drinking had reached a level which caused the staff at Hope Valley to waive their admissions policy for fear that he would die if not treated immediately. Collectively, these facts clearly show that Shumate was suffering from advanced stages of alcoholism when the events which lead to this complaint occurred.

The defendant voluntarily entered into a recovery program with the assistance of the PAL's Committee and successfully completed inpatient treatment at Hope Valley from March 1, 2002 until March 28, 2002. He then attended regular AA meetings and complied with all monitoring required by the 2 year PAL's contract, entered into on or about March 1, 2002. Not only did he fulfill his obligations under the PAL's contract, but he became active in the PAL's organization and after completing the training he become a PAL's volunteer. In his capacity as a PAL's volunteer, he served the legal community by working with other attorneys who suffered from untreated alcoholism, in an effort to assist both the impaired attorney and the legal community as a whole. It is important to recognize that all of this occurred prior to his indictment, at a time when he had no ulterior motives, as he had no indication that there would be legal consequences from his drinking. Additionally, he attended the monthly meeting for attorneys in recovery in

Greensboro from the spring of 2002 until the summer of 2006, when he was incarcerated. This meeting is regularly attended by Edmund F. Ward, III, the Assistant Director of Lawyer Assistance Program. In his letter of 2005 (hereinabove mentioned, see attached), Mr. Ward attests to the fact that Shumate assisted other recovering alcoholic attorneys, both in his capacity as a PAL's volunteer and through his active participation at the monthly Greensboro meeting. In essence, the PAL's committee has first hand knowledge of Shumate's recovery, not only during the contract term from 2002-2004, but also for the following two years, thereby documenting his sobriety from 2002-2006. During his 10 month Federal incarceration, as well as his one month Federal halfway house residency, Shumate was tested for alcohol use and the results were negative on all occasions. He is currently undergoing regular testing as a condition of his Federal Supervised Release. He will remain on Federal Supervised Release until August 1, 2010 and will continue to be monitored for alcohol use for the duration of that time. On no occasion since his admission to Hope Valley has Shumate consumed any alcohol, nor has there been any allegation that he has done so. Taken together, these facts provide substantial evidence that his alcohol abuse has been dealt with effectively and that any risk to the public has been eliminated.

Disciplinary cases involving substance abuse case arrive before the grievance committee in one of two ways. A grievance can be filed based on ethical violations other than substance abuse and the investigation reveals that the attorney's actions are primarily attributable to substance abuse. In it's discretion, the grievance committee can divert this complaint to the PAL's committee and the grievance will be disposed of without disciplinary action when the attorney satisfies the PAL's committee requirements. A grievance can also originate through the PAL's committee in situations where there has been no complaint filed, but the PAL's committee finds that the attorney's actions are detrimental to the public, the court or the legal profession. The rules specifically state that no grievance may be brought in this situation if the attorney successfully meets the requirements of the PAL's committee. It is clearly the intent of the NC State Bar to, whenever possible, dispose of any potential disciplinary situation which involves substance abuse by utilizing the PAL's program, regardless of how it comes to the attention of the Bar. The fact that this complaint did not arise as either a client grievance or as a Pal's report of untreated alcoholism, should not deprive him of the second chance which the PAL's committee was clearly intending to provide. PAL's charter purpose is two fold: " to curb the abuse of the public trust latent in the untreated chemical dependency among members of our profession, AND secondarily to aid in the recovery, for the benefit of our profession, of the skills, ability and contributions of those lawyers who have and will suffer from chemical dependency and through treatment and sobriety will continue to make enormous contributions to our profession." Shumate's successful involvement in PAL's accomplished the first purpose by eliminating his alcohol abuse and the public was thereby protected from any potential future harm. It is inappropriate to now, in his sixth year of sobriety and thirty-third year of practice, to deny him the opportunity described in the second half of PAL's mission statement: to be allowed to continue to make contributions to the legal profession and the profession to benefit of the skills, ability and contributions of your Respondent, the Defendant herein. Failure to do

so will send a message to all attorney's that suffer from substance abuse, that voluntary involvement in the PAL's program will not afford them this intended result. While it is admitted that, in some instances, the behavior of the attorney prior to recovery is so egregious as to make it inappropriate to allow the future practice of law, Shumate's misconduct did not rise to this level. No client complaints arose during Shumate's active alcoholism, he received no financial gain from his misconduct and, as detailed above, there are substantial mitigating circumstances within the transactions themselves.

The disciplinary action to be taken by the NC State Bar is only one of the numerous consequences of the respondent's untreated alcoholism. As noted above, he lost his family, his home, his practice, and all of his financial assets, as well as his professional and personal reputation. In order to limit his exposure to a substantially longer Federal sentence, the defendant entered into a plea agreement, ultimately receiving a 13 month sentence. He served over 10 months in a Federal Correctional Institution in Manchester, Kentucky, followed by an additional month in a Federal Halfway House in Greensboro, NC. He is currently under the supervision of the Federal Probation office and is subject to numerous requirements and limitations. He has a permanent Federal Felony conviction on his record, which will continue to have widespread consequences and impact and he has lost many of his rights as a citizen of the United States due to his felony status. His law license has been under a voluntary suspension since January 1, 2006, rendering him unable to make a living from that time forward, as this has been his lifelong occupation. It is inappropriate to now, in his sixth year of sobriety, to deny him the opportunity described in the second half of PAL's mission statement: to be allowed to continue to make contributions to the legal profession and public to benefit of the skills, ability and contributions of your Respondent, the Defendant herein. The Defendant has been already been severely punished and submits to the discipline of the Bar.

The successful treatment and elimination of Shumate's active alcoholism accomplished the first goal of protecting the public, the courts and the legal profession. The second goal, the integrity of the Bar, can be maintained by giving proper weight to the respondent's successful involvement in the PAL's program. Third, with regard to Shumate, the Bar in order to obtain a fair and just outcome should consider the totality of the circumstances for the Defendant, a thirty-three (33) year veteran of the legal profession.

WHEREFORE, the Defendant respectfully prays:

1. That this Answer, Response and Explanation be received as the Defendant's affidavit upon which the Commission may base all of its Orders in this cause;

2. That the Plaintiff be taxed with the costs of this matter.

3. That the Disciplinary Hearing Commission of the North Carolina State Bar provide relief it deems appropriate, just and proper.

This the 31 ST day of August, 2007.

Rick F. Shumate
Attorney At Law
NC Bar # 6378
3022 Laurel Springs Drive
Greensboro, NC 27410
(336) 638-6508

DISCLOSURE, DOCUMENT CORRECTION AND FEES DUE AGREEMENT

Date:

Sellers:

Buyer/Borrower:

Property Address:

AGREEMENT TO CORRECT DOCUMENTATION, PROVIDE ADDITIONAL DOCUMENTATION OR FEES:

In partial consideration of the closing of the hereinabove mentioned real property secured transaction by the law firm of RICK F. SHUMATE, the buyer/borrower and seller, if any, agree as follows:

If any document is lost, misplaced, misstated, inaccurately reflects the true terms and conditions of the loan or any other aspect of the closing or any particular item is omitted the parties will comply with the law firm's request to execute, acknowledge, initial and deliver to the firm any documentation the firm deems necessary to replace or correct the lost, misplaced, misstated, inaccurate, omitted or otherwise missing document. The parties hereto also agree and do hereby indemnify and hold harmless the law firm of RICK F. SHUMATE in regard to any loan payoff or any closing fee omitted or incorrectly stated and the parties further agree to pay any such sums necessary to make appropriate corrections in regard to any misstated or omitted amount or fee collected or not collected at the closing.

Any requests under this agreement by the firm of RICK F. SHUMATE or any title insurance company insuring said real property secured transactions shall be prima facia evidence of the necessity for same.

If any party fails or refuses to execute, acknowledge, initial and deliver any document or pay any fees to the firm after being requested to do so by the firm, then in said event the respective party or parties shall be liable to the firm for any and all loss or damage which the firm reasonably sustains thereby, including, but not limited to, all reasonable attorney's fees, expenses and costs incurred by the firm.

This agreement shall survive the closing of the hereinabove mentioned real property secured transaction and inure to the benefit of the firm's successors or assigns including, but not limited to, any title insurance company issuing a policy in connection with said transaction, and be

binding upon the heirs, devisees, personal representative and assigns of the parties hereto.

Seller	Buyer
Seller	Buyer

RICK F. SHUMATE
ATTORNEY AT LAW
214 NORTH ELM STREET
GREENSBORO, NORTH CAROLINA 27401
rick@shumatelaw.com

Telephone 336.370.9088
Shumate
Faxsimilie 336.272.0076

Ann Dalton
Office Manager

December 29, 2000

C. Richardson and Associates
1620 Eastchester Drive, Suite 104
High Point, NC 27265

Dear Chet and Phil:

Upon some reflective consideration the following suggestions are being made for a more streamline transaction at the closing table:

1) Upon execution of your Contracts include legible full names of husband, wife, or individual with complete legal marital status. Advise your lenders that both Husband and Wife HAS to sign the Deed of Trust.

2) Make photo copy of each individual drivers license and attach to Contract.

3) If there is any way possible, please have closing packages, or at least closing instructions to us 24 hours before closing is set. (We realize that often, this is up to the lender.)

4) Advise seller upon execution of Contract they are responsible to get written pay-offs to us 24 hours before closing is set.

Your full cooperation will enhance your closings and make our professional service to you a greater pleasure.

We look forward to a prosperous new year and appreciate your continued confidence in our law office.

Very truly yours,

Ann Dalton-Shumate

C: Desiree Smith

RICK F. SHUMATE
ATTORNEY AT LAW, P.C.
203 SUMMIT AVENUE
GREENSBORO, NC 27401

Telephone (336) 370-9066 Facsimile: (336) 370-9294

November 15, 2002

L. Patrick Auld, Esq.
Assistant United States Attorney
U.S. Department of Justice

HAND DELIVERED

Re: *Grand Jury Subpoena c/d 2001R00266-36*

Dear Mr. Auld:

This is to acknowledge receipt of yours of September 20, 2002 as well as supplement my telephone conversation of recent date with Mr. David T. Gardner with regard to the above captioned matter. Attached are copies of the appropriate supporting documentation requested along with the Certificate of Authenticity of Business Records.

There is some information in addition to that outlined, however, I was unable to locate all of the files requested. I lost some files in an office relocation earlier this year and have moved twice since these real property secured transactions occurred. I have enclosed Disbursement Summaries for some of these, as they are on computer. In any event, if I locate additional relevant information, I will provide copies of same to you. If I may be of further assistance, please advise.

Best regards.

Very truly yours,

Rick F. Shumate

enclosures

LAWYER ASSISTANCE PROGRAM

The North Carolina State Bar

PALS FRIENDS

Edmund F. Ward, III
LAP Assistant Director
208 Fayetteville St. Mall, (27601)
PO Box 25908
Raleigh, NC 27611-5908
1-877-627-3743 • 919-828-6425
Fax: 919-828-3796
eward@ncbar.com

March 15, 2006

Re: Rick F. Shumate

To Whom It May Concern:

I write to offer information concerning Mr. Rick Shumate's involvement with the North Carolina State Bar Lawyer Assistance Program (LAP). Mr. Shumate sought assistance from the LAP on December 9, 2001; at the time, he was suffering from addiction disease. At the suggestion of the LAP, Mr. Shumate was admitted to an addiction treatment hospital and successfully completed treatment on March 28, 2002. Mr. Shumate's illness remains in remission since his discharge from the treatment experience.

I also respectfully wish to make it known that Mr. Shumate has followed all suggestions and recommendations for aftercare including ongoing participation with the LAP. As evidence of Mr. Shumate's dedication to maintaining his recovery, he became a LAP volunteer on April 14, 2004; he has worked very diligently in helping other lawyers in their recovery from addiction disease. At all times, Mr. Shumate has been a great example to other lawyers and their families despite having to deal with many difficult situations in his own recovery which were precipitated by the ravages of his active addiction disease. Mr. Shumate's personal recovery and his encouragement and unselfish support of other lawyers have been significant and positive contributing factors in helping others to get well. The LAP is grateful to Mr. Shumate for his help.

I am hopeful that Mr. Shumate's recovery and his efforts to help his fellowman will be seen by others as a very positive and fine example of ongoing successful rehabilitation from a dreadful illness. I would be most delighted and would appreciate the opportunity to speak on Mr. Shumate's behalf at any time.

Most respectfully,

Edmund F. Ward, III

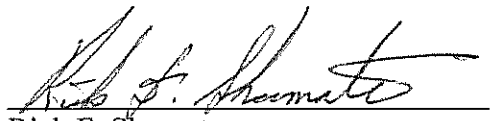
EFW/bjw

CERTIFICATE OF SERVICE

The undersigned Defendant hereby certifies that he did serve a copy of the attached Answer upon the Plaintiff by hand delivering a copy of same to the Plaintiff's Attorney by delivering same to her Office located at:

Jennifer A. Porter, Esq.
Deputy Counsel
The North Carolina State Bar
Raleigh, NC 27611

This the 31st day of August, 2007.



Rick F. Shumate
Attorney at Law
NC Bar No. 6378
3022 Laurel Springs Drive
Greensboro, NC 27410
(336) 638-6508